

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (7/22)
BUTTER: Grade AA closed at \$1.5900. The weekly average for Grade AA is \$1.5933 (-.0342).

CHEESE: Barrels closed at \$1.4025 and blocks at \$1.4425. The weekly average for barrels is \$1.4265 (-.0820) and blocks, \$1.4645 (-.0855).

BUTTER: The cash butter price is weak as the heavy milk production report is putting further pressure on the market. Recent hot temperatures and humid conditions across the country are curtailing milk production and the butterfat levels in the milk. Cream supplies for churning purposes have tightened to the point that surplus volumes are minimal and less is moving from one region to another. Warm weather conditions are stimulating more interest in Class II cream, which lessens volumes being sent to local butter producers. Overall butter demand is fair. Lighter churning activity is causing some producers and handlers reach to inventoried stock to meet shipping schedules. The CME weekly butter stock figure stood at 94.5 million pounds, down 2.97 million pounds from last week and is 16.29 million pounds lower than last year. The 2003 peak reached 212.2 million pounds this same week.

CHEESE: The cheese market is weak. The bearish *Milk Production* report (June 5.4% above June 2004) on July 18 provided an incentive for traders to push the cash cheese market sharply lower (10 cents) on July 19. A few traders felt that it may have been an overreaction because of current cheddar supply/demand situation while others expect that the C.W.T. program may again supply support by exporting cheese. Cheese demand is spotty as some buyers delay purchases until price averages catch up with the lower daily market. Some plant operators are taking advantage of the slowdown to build supplies for later year commitments. Cheddar and natural American supplies have been fairly close to in balance. Cheese production is lower due to heat stress on cows through much of the country. Cheese yields are also often lower.

FLUID MILK: Hot weather is reducing milk production throughout the nation. Declines are more significant in areas of the Midwest and Southwest compared to the East and Pacific Northwest. Milk components are also being affected by the weather and are reported as reduced. Class I interest is steady to lower. As some schools resume sessions in the next few weeks, Class I interest is expected to improve. Condensed skim movement is steady. Cream supplies are more readily available than expected at this time of year. Cream demand is mixed as buyers delay orders and await further price declines in light of lower CME AA butter prices and reduced multiples.

DRY PRODUCTS: Dry dairy product prices are trending steady to higher. The recent heat wave has decreased NDM production schedules in areas of the West and Midwest while schedules in the East are mostly unaffected. Good NDM export interest and increases in reported price indexes are encouraging higher NDM prices. Buttermilk prices are generally unchanged. Buttermilk production is steady to lower in response to reduced churn activity and increased movement of condensed buttermilk into ice cream operations. Whey prices are unchanged in the Central region and higher elsewhere. Buyers are expressing resistance to continued price increases despite the limited supply availability. Lactose and WPC prices are unchanged. Some inquiries are noted for the fourth quarter on lactose. WPC supplies seem to be more available for the light interest.

CCC: During the week of July 18 - 22, there was no price support activity.

FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS): Under the Federal milk order pricing system, the base price

for Class I milk for August 2005 is \$14.44, up 55 cents from July but 18 cents lower than last year. This price is derived from the advanced Class III skim milk pricing factor of \$8.29 and the advanced butterfat pricing factor of \$1.8396 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for August is \$7.81 and the Class II nonfat solids price is \$0.8678 per pound. The following are the two-week product price averages: butter \$1.6480, nonfat dry milk \$0.9377, cheese \$1.5224, and dry whey \$0.2796.

JUNE MILK PRODUCTION (NASS): Milk production in the 23 major states during June totaled 13.7 billion pounds, up 5.4% from June 2004. May revised production, at 14.3 billion pounds, was up 4.6% from May 2004. The May revision represented an increase of 26 million pounds or 0.2% from last month's preliminary production estimate. Production per cow averaged 1,683 pounds for June, 76 pounds above June 2004. The number of milk cows on farms was 8.13 million head, 47,000 head more than June 2004, and 9,000 head more than May 2005. Milk production in the U.S. during the April-June quarter totaled 45.6 billion pounds, up 4.1% from the April-June quarter last year. The average number of milk cows in the U.S. during the quarter was 9.04 million head, 34,000 head more than the same period last year.

DAIRY OUTLOOK (ERS): Strong expansion in milk production is expected to persist longer than good demand. Projected seasonal price increases during the second half are quite muted. Milk cow numbers in the 23 states have risen steadily from a February low. Compared with a year earlier, cow numbers have been fractionally higher since last autumn. Near-normal availability of bovine somatotropin (BST) has also played role in heavier milk volumes. Farms have been able to bring new expansions slowly into production, while exits remain at low levels. Economic and income growth are expected to be brisk enough to sustain recent demand, but this year's experience implies that erratic demand is more likely. Second-half seasonal increases in dairy product and farm milk prices are projected to be quite modest, and prices may continue to seesaw.

JUNE FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS): During June about 9.5 billion pounds of milk were received from producers. This volume of milk is 2.2% lower than the June 2004 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +5.7%.) About 3.4 billion pounds of producer milk were used in Class I products, 1.9% higher than the previous year. Calendar composition likely had a slightly negative impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilizations were; Class I = 36%, Class II = 15%, Class III = 34%, and Class IV = 15%. The weighted average statistical uniform price was \$14.69, \$0.07 lower than last month, and \$4.22 lower than last year.

DAIRY FORWARD PRICING PROGRAM DATA (DAIRY PROGRAMS): USDA-AMS Dairy Programs continued to collect data concerning the Dairy Forward Pricing Program after submission of the report *A Study of the Dairy Forward Pilot Program and Its Effect on Prices Paid Producers for Milk*, October 2002. The study period for that report ended in March 2002. Tables and figures for data covering the complete program period from September 2000 through the end of the program on December 31, 2004, are now available at the website:

www.ams.usda.gov/dairy/for_contr_pilot.htm.

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**CHICAGO MERCANTILE EXCHANGE
 CASH TRADING**

| PRODUCT | MONDAY JULY 18 | TUESDAY JULY 19 | WEDNESDAY JULY 20 | THURSDAY JULY 21 | FRIDAY JULY 22 | WEEKLY CHANGE* | WEEKLY AVERAGE# |
|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|----------------------|
| CHEESE BARRELS | \$1.5100 (N.C.) | \$1.4100 (-.1000) | \$1.4100 (N.C.) | \$1.4000 (-.0100) | \$1.4025 (+.0025) | (-.1075) | \$1.4265 (-.0820) |
| 40# BLOCKS | \$1.5500 (N.C.) | \$1.4500 (-.1000) | \$1.4500 (N.C.) | \$1.4300 (-.0200) | \$1.4425 (+.0125) | (-.1075) | \$1.4645 (-.0855) |
| BUTTER GRADE AA | \$1.6300 (-.0100) | ---- | \$1.5600 (-.0700) | ---- | \$1.5900 (+.0300) | (-.0500) | \$1.5933 (-.0342) |

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. *Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM NOTE: CME NDM on Page 2.

CHICAGO MERCANTILE EXCHANGE

MONDAY, JULY 18, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

BUTTER — SALES: 16 CARS: 4 @ \$1.6300, 1 @ \$1.6325, 1 @ \$1.6275, 8 @ \$1.6300, 1 @ \$1.6325, 1 @ \$1.6300; BIDS UNFILLED: 4 CARS: 2 @ \$1.6275, 2 @ \$1.6100; OFFERS UNCOVERED: 11 CARS: 3 @ \$1.6350, 2 @ \$1.6375, 6 @ \$1.6400

TUESDAY, JULY 19, 2005

CHEESE — SALES: 4 CARS 40# BLOCKS @ \$1.4500; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4100; 3 CARS 40# BLOCKS: 1 @ \$1.5375, 2 @ \$1.5450

WEDNESDAY, JULY 20, 2005

CHEESE — SALES: 3 CARS 40# BLOCKS: 2 @ \$1.4550, 1 @ \$1.4525; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS 40# BLOCKS: 1 @ \$1.4500, 1 @ \$1.4550

BUTTER — SALES: 20 CARS: 1 @ \$1.5975, 1 @ \$1.5800, 1 @ \$1.5775, 2 @ \$1.5675, 4 @ \$1.5600, 1 @ \$1.5625, 5 @ \$1.5600, 2 @ \$1.5625, 3 @ \$1.5600; BIDS UNFILLED: 8 CARS: 1 @ \$1.5475, 5 @ \$1.5450, 2 @ \$1.5300; OFFERS UNCOVERED: 26 CARS: 1 @ \$1.5650, 1 @ \$1.5675, 1 @ \$1.5700, 1 @ \$1.5775, 1 @ \$1.5825, 2 @ \$1.5850, 1 @ \$1.5875, 1 @ \$1.5900, 2 @ \$1.5925, 4 @ \$1.5950, 4 @ \$1.6000, 2 @ \$1.6100, 2 @ \$1.6200, 3 @ \$1.6300

THURSDAY, JULY 21, 2005

CHEESE — SALES: 2 CARS 40# BLOCKS: 1 @ \$1.4400, 1 @ \$1.4300; BIDS UNFILLED: 2 CARS 40# BLOCKS @ \$1.4000; OFFERS UNCOVERED: 1 CAR BARRELS @ \$1.4000; 1 CAR 40# BLOCKS @ \$1.4500

FRIDAY, JULY 22, 2005

CHEESE — SALES: 7 CARS 40# BLOCKS: 2 @ \$1.4300, 5 @ \$1.4400; BIDS UNFILLED: 3 CARS BARRELS: 1 @ \$1.4025, 2 @ \$1.4000; 13 CARS 40# BLOCKS: 5 @ \$1.4425, 2 @ \$1.4400, 2 @ \$1.4350, 2 @ \$1.4325, 2 @ \$1.4300; OFFERS UNCOVERED: 2 CARS 40# BLOCKS @ \$1.4500

BUTTER — SALES: 7 CARS: 1 @ \$1.5700, 5 @ \$1.5800, 1 @ \$1.5900; BIDS UNFILLED: 6 CARS: 2 @ \$1.5725, 1 @ \$1.5700, 2 @ \$1.5650, 1 @ \$1.5425; OFFERS UNCOVERED: 5 CARS @ \$1.5950

CME CASH NONFAT DRY MILK: Extra Grade closed the week at \$0.9625 and Grade A at \$0.9825. (The last price change occurred March 30.) The weekly average for Extra Grade is \$0.9625 (N.C.) and Grade A is \$0.9825 (N.C.).**BUTTER MARKETS****NORTHEAST**

The butter market continues to be relatively steady. The cash butter price at the CME is bouncing around in a relatively narrow range. The most recent NASS Milk Production report indicates that milk output is heavier than expected in the Northeast and butter/powder plants are still getting moderate to heavy volumes of milk. However, recent hot weather is curtailing milk production and the butterfat levels in the milk. Also, the warmer weather is stimulating more interest in Class II cream, which lessens volumes being sent to local butter producers. Butter stocks are about adequate to cover current needs. There have been no reports of producers pulling from inventories to meet shipping schedules. Retail sales remain slow. Food service orders are fair to good. Sales of bulk butter f.o.b. East, are reported in a range from flat market to 3.0 cents over the CME price/average.

CENTRAL

The market tone is mixed as the cash price weakens. The current cash price of \$1.5600 is the lowest since June 20. Traders and handlers have varying opinions as to the current weak trend. Some feel that the decline is in relationship to the 10 cent cheese decline early in the week, others feel that the butter price was just too high. Churning activity remains seasonally strong. Cream supplies have tightened to the point that minimal volumes of outside cream were available in the Central market this week. In most

instances, current churning schedules are not keeping pace with demand, thus inventoried stock continues to supplement the shortage. Butter demand is fair at best. No significant feature activity is being reported at retail, thus orders are basically for current or near term needs. Food service orders are seasonally steady. Bulk butter for spot sale is being reported in the flat – 2 cents per pound over various pricing basis.

WEST

Butter prices are down 17 cents from the recent peak on June 29. The heavy milk production report is putting further pressure on the market. Cream is tightening at a faster pace than was noted just a few weeks ago. The hot and humid weather is stressing the cows to reduce the milk flow as well as the component tests. Also, the demand for cream from the ice cream trade is much better than last year at this time. Both the weather and the economy are given as reasons. Butter demand is steady at fair levels. Demand is not aggressive at this time. The CME weekly butter stock figure stood at 94.5 million pounds, down 2.97 million pounds from last week and is 16.29 million pounds lower than last year. The 2003 peak reached 212.2 million pounds this same week. Bulk butter prices range from flat to 3 cents under based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**U.S. AVERAGES AND TOTAL POUNDS**

| <u>WEEK ENDING</u> | CHEESE | | NDM | BUTTER | DRY WHEY |
|--------------------|------------|----------------------|------------|-----------|------------|
| | 40# BLOCKS | 38% MOISTURE BARRELS | | | |
| JULY 16 | 1.5241 | 1.5068 | 0.9383 | 1.6314 | 0.2804 |
| | 9,075,533 | 10,471,702 | 17,033,086 | 2,604,320 | 12,063,735 |

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices and the market tone are unchanged. At the CME the prices for both barrels and blocks have held fairly steady since June 28. Through July 18, each has increased only a quarter-cent in the past thirteen trading sessions. Blocks have not changed in ten consecutive trading sessions. Cheese output in the Northeast is holding fairly steady. Surplus milk supplies remains heavy, despite the hot weather currently covering the region. Demand for natural items is slow to fair, while process cheese is clearing satisfactorily. Mozzarella sales are seasonally slow to fair and some producers are adjusting their production schedules lower until orders improve. Retail orders and sales are lackluster and food service sales are seasonally good, particularly along the Eastern Shore and other resort/vacation areas.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|-----------------------------|---|---------------|
| Cheddar 10# Prints | : | 1.6300-2.1450 |
| Cheddar Single Daisies | : | 1.5875-2.0625 |
| Cheddar 40# Block | : | 1.6900-1.9600 |
| Process 5# Loaf | : | 1.7175-1.9250 |
| Process 5# Sliced | : | 1.7375-1.9525 |
| Muenster | : | 1.7025-1.9050 |
| Grade A Swiss Cuts 10 - 14# | : | 2.4500-2.6500 |

MIDWEST

The cheese market is unsettled to weak. Some traders expected some price weakness after the surprisingly strong *Milk Production* report on 7/18, up 5.4% for the 23 states. Most cheddar and natural American offerings continue to be absorbed with relative ease, at least before the 10 cent decline on July 19 on both blocks and barrels. Some traders feel that the decline might be overdone, based on current market conditions and the nearness to the \$1.40 C.W.T. price floor. The price declines will not help financially stressed cheese plant operations relative to the Class III milk price. Natural movement is about fair. Process movement is steady to improved at moderate to good for summer levels. Some processor overtime is needed to fill orders. Mozzarella offerings remain long, reflective of the substantial growth in mozzarella plant capacity in recent years. Price discounts on mozzarella continue to be used to help stimulate sales. Continued heat stress on cows is reportedly appearing as greater declines in both plant milk receipts and cheese yields from just a couple weeks ago.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---|---|---------------|
| Process American 5# Loaf | : | 1.7075-1.9700 |
| Brick And/Or Muenster 5# | : | 1.9800-2.1000 |
| Cheddar 40# Block | : | 1.8300-2.2650 |
| Monterey Jack 10# | : | 2.0300-2.2650 |
| Blue 5# | : | 2.3950-2.6900 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.7275-2.3650 |
| Grade A Swiss Cuts 6 - 9# | : | 2.4300-2.8700 |

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

| | | | |
|----------|--------|---|---------|
| 07/18/05 | 53,484 | : | 148,448 |
| 07/01/05 | 55,272 | : | 146,912 |
| CHANGE | -1,788 | : | 1,536 |
| % CHANGE | -3 | : | 1 |

WEST

Cheese prices at the CME had been holding steady for a couple of weeks as the market appeared to be in a balanced situation. That situation changed with the release of the June *Milk Production Report*. The report indicated that milk production is increasing at a faster rate than had been noted for many years. This fact seemed to spook the cash CME market on Tuesday as prices declined a dime in light trading. Demand for current cheese before that time has been good, clearing any offerings easily. Some sellers are looking for cheese to fill into aging programs and they are not having any success. Demand is rated as fair to good and production is declining at a faster rate as the cow herd faces more summer stress. This is not a surprise to anyone for mid-July.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---------------------------|---|---------------|
| Process 5# Loaf | : | 1.6600-1.9175 |
| Cheddar 40# Block | : | 1.6700-2.0225 |
| Cheddar 10# Cuts | : | 1.8500-2.0700 |
| Monterey Jack 10# | : | 1.8600-2.0200 |
| Grade A Swiss Cuts 6 - 9# | : | 2.2500-2.7000 |

FOREIGN

Prices are unchanged and the market tone is steady. Demand for imported and domestically made cheeses is seasonally slow to fair. Supplies are adequate to cover needs. The relatively steady value of the U.S. Dollar compared to the Euro is helping some importers. The exchange rate is, and has been for several weeks, more favorable than it was during the first quarter of the year.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

| VARIETY | NEW YORK | |
|--------------------------|-------------------|-----------------|
| | IMPORTED | DOMESTIC |
| | : | : |
| Roquefort | : TFEWR | : -0- |
| Blue | : 2.6400-4.6900 | : 1.9425-3.4325 |
| Gorgonzola | : 3.6900-6.0900 | : 2.4550-2.5225 |
| Parmesan (Italy) | : TFEWR | : 3.3575-3.4650 |
| Romano (Italy) | : 2.1000-3.2500 | : -0- |
| Provolone (Italy) | : 3.4400-6.0900 | : 1.9450-2.1800 |
| Romano (Cows Milk) | : -0- | : 3.1400-5.3050 |
| Sardo Romano (Argentina) | : 2.8500-3.2900 | : -0- |
| Reggianito (Argentina) | : 2.6900-3.2900 | : -0- |
| Jarlsberg-(Brand) | : 3.1200-4.1500 | : -0- |
| Swiss Cuts Switzerland | : -0- | : 2.4500-2.6500 |
| Swiss Cuts Finnish | : 2.5900-2.8500 | : -0- |
| Swiss Cuts Austrian | : TFEWR | : -0- |
| Edam | : | : |
| 2 Pound | : TFEWR | : -0- |
| 4 Pound | : 2.1900-3.5600 | : -0- |
| Gouda, Large | : TFEWR | : -0- |
| Gouda, Baby (\$/Dozen) | : | : |
| 10 Ounce | : 27.8000-31.7000 | : -0- |

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

| | THIS WEEK | | LAST WEEK | | LAST YEAR | |
|------------------|-----------|-----|-----------|-----|-----------|-----|
| | IN | OUT | IN | OUT | IN | OUT |
| FLORIDA | 0 | 0 | 0 | 119 | 0 | 0 |
| SOUTHEAST STATES | 0 | 17 | 0 | 0 | 0 | 0 |

June milk production in the 23 major states totaled 13.68 billion pounds, up 5.4% from June 2004. The following are the June-to-June changes for selected states: Texas +9.6%, Pennsylvania +7.8%, Virginia +4.9%, New York +4.3%, Florida +3.6%, Vermont +3.2%, and Kentucky unchanged. Regional Milk Market Administrators announced the June 2005 uniform prices: Northeast \$15.23, Mideast \$14.36, Appalachian \$15.49, Southeast \$15.47, Florida \$16.80, and Western New York (a state order) \$14.76 at the base city or county in the orders. Hot humid weather is covering most of the region. The remnants of Hurricane Dennis caused some heavy rains over parts of the Mid-South which is impacting milk output. There is concern that Hurricane Emily, or her rains, will hit Texas and other Gulf Coast states. Contacts report that the hot weather is causing milk production to decrease, but the rates of decline have been lighter than expected. Fluid milk volumes are reported as heavy and most manufacturing plants are operating above anticipated mid-July levels. Florida's milk supply was significantly more in balance as no spot milk was shipped out of state for processing. The combination of improved Class I demand and lower production brought the state's milk volumes in balance. Elsewhere in the Southeast, Class I demand is steady and surplus milk volumes are excessive. The reopening of schools in a week or two is expected to help ease the glut of surplus milk. Contacts in this area are shipping some milk out of the region and most balancing plants are still operating. In the Northeast, milk supplies are also heavier than expected as the hot weather of the last two weeks has not had much of an impact on the milk flow. Fat and protein levels on incoming milk are seasonally lower. The condensed skim market is little changed and offerings are ample. Few spot sales are noted and most suppliers are operating their dryers daily. The fluid cream market is not as strong as contacts expected for this time of year. After a slow spring, the market improved in late June, but seems to be slowing again. Demand is not overly aggressive. Most contacts feel that the continued heavy milk/cream supply is responsible for the current lackluster market. Multiples are steady to lower and last week's drop in the CME butter average is giving mostly lower spot prices. Ice cream producers are not buying too many spot loads as their contract volumes seem to be sufficient to cover their needs. Soft serve mix sales are good. Bottled cream production and sales are mostly steady. Churning activity is steady to lighter, mostly steady. Most excess cream is staying in the region. There were no reports of cream moving to Midwest butter makers this week.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

| | | |
|--|---|-------------------------------|
| F.O.B. PRODUCING PLANTS: NORTHEAST | - | 2.0669-2.2785 |
| DELIVERED EQUIVALENT ATLANTA | - | 2.0507-2.2948 M 2.1483-2.2297 |
| F.O.B. PRODUCING PLANTS: UPPER MIDWEST | - | 2.0507-2.2215 |

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:

| | | |
|---|---|---------------|
| NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES | - | .9900-1.0500 |
| NORTHEAST- CLASS III - SPOT PRICES | - | 1.1000-1.1700 |

M I D W E S T

The heat and humidity is reducing milk volumes fairly sharply over the past couple of weeks. Milk components are also generally lower than a month ago. Some bottlers are requiring supplemental loads beyond their regular shipments just to meet steady Class I needs. Class I interest is steady to just occasionally improved, though still in the usual lighter summer levels. Manufacturing milk interest is uneven, somewhat improved, at least before the recent large cheese and butter prices declines. Most manufacturing plants are also seeing steep declines in their own intakes over recent weeks and declines in the fat and protein tests. There were not enough manufacturing milk price reports received to report a series though most buyers seem to be paying small premiums over class. Cheese operating schedules are lighter, reflecting the lower milk volumes. Cream demand was mixed, good early in the week before the sharp declines in butter prices at the Chicago Mercantile Exchange caused some buyers to try to acquire cream at lower multiples or reduced orders. Southern milk buyers have been making deals to

receive summer and fall supplemental volumes though only one unconfirmed report was noted of any actual shipments being sent from the upper part of the region. Initial June estimated milk production in selected Midwestern states compared with June 2004 is: Wisconsin, 1.939 billion pounds, a jump of 96 million pounds (5.2%); Minnesota, 701 million pounds, up 20 million pounds (2.9%); Michigan, 569 million pounds, an increase of 39 million pounds (7.4%); Iowa, 322 million pounds, up 6 million pounds (1.9%); and Indiana, 268 million pounds, up 20 million pounds (8.1%). The only state in the 23 listed during June listed showing a decline from a year ago is Missouri, down 5 million pounds (-3.2%). Dry conditions persist through parts of the region with some corn already beyond redemption by rain. Some experts are already warning farmers in Illinois to be careful in harvesting and feeding drought stressed corn as cattle feed. The volume of second and/or third cutting alfalfa is also generally lower than normal due to the drought.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

| | JULY 14 - 20 | PREVIOUS YEAR |
|---------------------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 50.00- 59.50 | \$ 54.50- 62.00 |
| REPLACEMENT HEIFER CALVES | \$450.00-700.00 | \$330.00-600.00 |

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

| | JULY 14 - 20 | PREVIOUS YEAR |
|----------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 50.00- 60.00 | \$ 55.00- 64.50 |

W E S T

Milk production in the 23 major states during June totaled 13.7 billion pounds, up 5.4% from June 2004. (May revised production, at 14.3 billion pounds, was up 4.6% from May 2004. The revision was increased 26 million pounds (+0.2%).) Production per cow averaged 1,683 pounds for June, 76 pounds (4.7%) above June 2004. The number of milk cows on farms was 8.13 million head, 47,000 head (0.6%) more than last year and 9,000 more than last month. June milk production changes versus a year ago in selected Western states: AZ +4.3%, CA +5.1%, CO +10.6%, ID +11.7%, NM +3.8%, OR +1.5%, and WA +3.7%. Cow numbers in these states increased by 69,000 head versus June 2004, with only NM declining. Milk production levels have fallen off over most areas of CALIFORNIA. Very hot daytime temperatures over 100 degrees are not cooling as much during the night. Despite mister and fans, cows are not eating or milking at desired levels. Some processors are seeing milk intakes drop from 7 to 12% from the beginning of the month and some declines are over 5% from last week. Fat and protein levels are also decreasing in the milk. Fluid milk demand is steady at light levels. The hot conditions remain across the milk producing areas of ARIZONA and humidity levels have increased to levels that signal the start of the monsoon season. These factors are impacting the milk cows and milk production. Despite rather hot temperatures, milk output in NEW MEXICO is steady to only slightly lower than last week. Handlers are surprised that volumes are not lower. Some declines in solids are noted. Milk continues to be moved to other regions for processing and declines in those areas will increase marketings to those areas. Fluid milk orders are slower, mainly related to sales in prior weeks and slower sales with the heat. CREAM supplies are lighter with offerings out of California the tightest. There, contract commitments are being met, but any extra cream is often being churned. More cream is available in the Northwest. Demand from ice cream producers is fair to good. The CME butter price decline 6.25 cents from last week and closed on July 20 at \$1.5600. Reported FOB multiples range from 115 to 128 and vary depending on class usage and basing point. The PACIFIC NORTHWEST finally saw a few days of higher temperatures over the weekend. This was not long enough or hot enough to bring milk production down. Plants are continuing to run on extended production schedules. On the east side of the Cascades, temperatures are running either side of 100 degrees. Here the stress is enough that milk production is beginning to fall more rapidly. Second cutting hay is good enough in quality that it should help out with the very poor first cutting. Heifers seem to be a bit more available. Last year, no where in the region did it hit 100 degrees. This year, there have been multi day episodes of temperatures above that level. The forecast is for a cooler weekend, but for humidity levels to climb as Gulf air enters the region. This stress is likely to bring down milk output in UTAH and IDAHO at a faster rate. Plants are beginning to see lighter load weights and some are buying outside milk to fill in the difference. Heifer prices in the region have declined somewhat. Averages are down to \$1845-2060. These averages are down \$1-200 in the last few weeks. Second cutting hay is just about finished and the quality, overall, is much better than the first. Many dairies are looking at using more second crop, which is atypical in a normal year.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged to higher on a mostly steady market. Production is lower in response to decreased milk intakes at some locations. However, inventories are available to some brokers and end-users. Interest from cheese manufacturers is reduced as many manufacturers contracted or accumulated NDM stocks prior to the start of the hot summer temperatures. Brokers report that multiple load deals are being offered from West coast manufacturers. Condensed skim trade is good into ice cream and some cheese operations. Feed grade NDM is reportedly available from West coast traders and moving into Central feed operations competitively as a replacement for 34% WPC.

EAST: Prices are steady to higher. Pricing indexes moved higher for this week's sales. The market tone remains firm. Production remains quite heavy. Despite the hot weather and declining milk flow, butter/powder plants are still receiving ample milk and most are operating their dryers daily. Plant stocks are fairly well balanced as good sales are clearing the powder as it is being made. High heat NDM is still relatively tight and demand for it is improving. Demand for NDM is good. Some producers, despite current output, expect NDM supplies to tighten later in the year. Export interest is holding at good levels.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .9550 - 1.0150 MOSTLY: .9800 - 1.0000
 HIGH HEAT: .9900 - 1.0950

NONFAT DRY MILK - WEST

Prices are higher for both the range and mostly price series. Recent changes in pricing indexes have translated into higher prices. The market tone is steady by supply and demand factors. Supplies are generally available from producers in the region. Production has been active in recent weeks and not all has cleared. Demand has been fair and clearing product to both domestic and export accounts. The concerns over the suddenly weaker cheese market will test how comfortable cheese makers will be in using NDM. With lighter milk receipts in California, cheese makers could begin to use more NDM and condensed skim to extend yields. No news yet on tariffs on food preparation powder. The impact would be felt by many exporters. High heat NDM prices are higher and the market tone is steady. Supplies are light and sometimes short of trade needs for current powder. Drying times could be more available with decline in milk in the region. From January to May, exports of NDM/SMP totaled 148,912 MT (328.3 million pounds), compared to 61,262 MT (135.1 million pounds) a year ago. During May 2005, 63.5 million pounds of NDM/SMP were exported.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A
 LOW/MEDIUM HEAT: .9175 - .9800 MOSTLY: .9250 - .9450
 HIGH HEAT: .9500 - .9800

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE | TOTAL SALES | SALES TO CCC |
|-------------|---------|-------------|--------------|
| July 15 | \$.9179 | 7,998,828 | 0 |
| July 8 | \$.9182 | 6,679,321 | 0 |

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices remain unchanged and nominal on a steady market. Production is generally steady compared to the week prior with good flows of condensed buttermilk into ice cream facilities and limited drying of buttermilk. Demand is mostly contractual. Suppliers that are holding some stocks of dry buttermilk are doing so with confidence as production is not anticipated to significantly rebound. Spot trade is reported as very slow.

F.O.B. CENTRAL: .9600 - 1.0400

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are steady and the market tone unchanged. Northeastern prices remain nominal. Production levels are lighter as churning activity slows and sales of condensed/liquid buttermilk improve seasonally. Powder inventories are quite well balanced. Producers and users do not want to have too much powder on hand during this hot weather. Demand is fair to good.

F.O.B. NORTHEAST: .9300 - 1.0050
 DELVDSOUTHEAST: .9800 - 1.0600

DRY BUTTERMILK - WEST

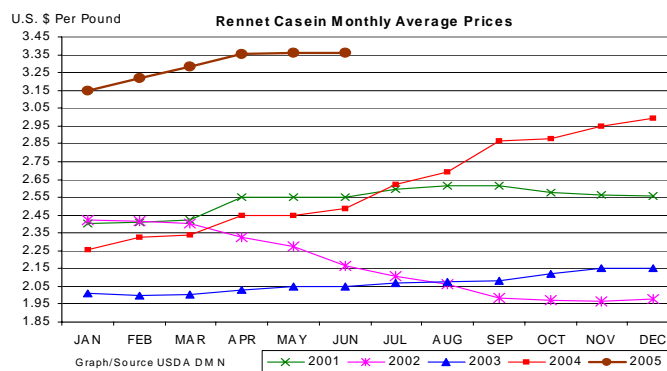
Dry buttermilk prices are mostly steady to fractionally higher on the top of the range. The market tone is mainly steady with supplies and demand being in good balance. Production is lighter as less milk and cream are available in the region. Demand is fair and slowly clearing the light to moderate offerings. Stocks are mainly limited.

F.O.B. WEST: .9025 - .9625 MOSTLY: .9025 - .9100

DRY WHOLE MILK - NATIONAL

Prices are unchanged and remain nominal. The market tone is steady. Production levels are light and geared toward meeting delivery schedules. Unless warehouses are cooled, storing dry whole milk in this heat is risky. Fortunately, most producers have limited or closely balanced stocks on hand. Demand is steady and remains mostly contractual.

F.O.B. PRODUCING PLANT: 1.2500 - 1.4100



WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are generally unchanged on a steady to firm market. Most trade is occurring on a contractual basis with limited spot supply availability noted direct from the manufacturer. Spot resale trade is noted at prices reported at 1/2 to 1 cents higher. Production is steady as milk flows more readily into cheese plants versus NDM/powder facilities. Some WPC/lactose producers report additional offerings of condensed whey are available but in general, WPC/lactose plants are running full and unable to process additional condensed supplies. Feed buyers are more apt to purchase milk replacer quality whey, lactose or permeate in order to defray formulation costs. Supplies of milk replacer quality whey are short of buyer interest.

F.O.B. CENTRAL: .2700 - .2800 MOSTLY: .2700 - .2750
F.O.B. CENTRAL: ANIMAL FEED MILK REPLACER: .2400 - .2600

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are steady to fractionally higher and the Northeast prices remain nominal. The market tone is unchanged. Cheese output in the Northeast is steady. Next week, one producer is starting a renovation project on their dryer that will take several weeks. Reportedly, they do have sufficient stocks on hand to cover contracts during the down time. However, there will be condensed whey to clear, which was easily cleared by prior arrangements. Dry whey stocks at the producers' warehouses are light and many are sold out. Direct-from-the-producer spot sales are rare. Most spot needs are filled in the resale market. Little change has been reported in buying interest. Market activity continues to be reported as light.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2775 - .3000
DELVD SOUTHEAST: .2950 - .3150

DRY WHEY - WEST

Range prices are holding steady for Western whey powder. The mostly is fractionally higher. More sellers are reporting that they are receiving negative comments about prices getting high enough to cut off demand. This may be the case in the future, but sales continue on a regular basis. There are no better spots in the world to buy whey at this time. The real problem will be if buyers switch to nondairy protein sources. Domestically, buyers are continuing to look for whey and offerings are clearing easily. Production levels are beginning to tail off a little faster as more summer weather stress is noted in the region. Inventories are in close balance to tight. Exports of dry whey for the January - May 2005 period total 87,023.6 MT (191.5 million pounds), an increase of 25,953.2 MT (57.2 million pounds) from the same timeframe in 2004.

NONHYGROSCOPIC: .2900 - .3200 MOSTLY: .3050 - .3150

EVAPORATED MILK - NATIONAL

Prices are steady and the market tone is unchanged. Production levels are steady to lighter. Demand is seasonally slow to fair and the market continues to be highly competitive. The market continues to settle after July 1. The other producers have won some accounts. Some buyers are working off stocks and deliveries from the inventory of the producer who exited the retail market before deciding on a new supplier.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.50 - 30.00
Excluding promotional and other sales allowances. Included new price announcements.

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged on a steady to firm market. Supplies are reportedly more available than during the last few months. Offerings are noted at the average to higher on 34% WPC. Offerings of 80% WPC are also noted from some plants at competitive prices with the 34% WPC market. Demand is very light, especially from the feed sector. Feed grade supplies of NDM are trading into the feed sector as a substitute to 34% WPC. Production is steady. During the period of January-May 2005, WPC 34% exports increased 14.27% whereas WPC 80% exports decreased 25.56% compared to the same period in 2004. Mexico (12,445,327 lbs), Canada (3,514,719 lbs), China (3,433,391 lbs), Brazil (2,232,652 lbs), and Japan (2,214,138 lbs) were the dominant markets for WPC 34%. The dominant markets for WPC 80% were Canada (2,117,162 lbs), Mexico (1,707,439 lbs), Japan (687,207 lbs), and China (537,776 lbs - unchanged from January-April exports). Exports of 34% WPC (28,384,434 lbs) and 80% WPC (6,244,373 lbs) for the January-May 2005 period account for 27.2% of WPC (25.0 - 89.9% protein) production for the January-May 2005 period.

F.O.B. EXTRA GRADE 34% PROTEIN: .8950 - 1.0000 MOSTLY: .8950 - .9200

LACTOSE - CENTRAL AND WEST

Prices are unchanged on a firm market. Spot trade activity is light due in part to industry trade show attendance. Production is steady with most movement noted on a contractual basis. Inquiries are noted for fourth quarter. Feed buyers continue to perceive lactose as a good buy compared to the higher cost of whey or dry permeate. Feed grade supplies are limited for the good interest. During the period of January-May 2005, lactose exports increased 36.09% compared to the same period in 2004. Japan (23,646,496 lbs), China (15,671,762 lbs), Mexico (9,342,315 lbs) and Vietnam (4,648,897 lbs) remain the dominant markets. New markets for the period include Venezuela, Qatar, Peru, France, Finland, El Salvador, Colombia, Chile and Belgium-Luxembourg. Exports accounted for 24.7% of production during January-May 2005.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.
F.O.B. EDIBLE: .1800 - .2200 MOSTLY: .1900 - .2100

CASEIN - NATIONAL

Casein markets remain firm with prices basically unchanged. Suppliers continue to indicate that stocks are in close balance to short of full needs, depending on sourcing region of the world. European supplies are in a better supply/demand situation versus Oceania stocks. Europe has had and continues to experience a positive milk production season. In the spring, milk volumes were being directed away from skim and whole milk powders and toward other manufactured dairy products, of which casein was a recipient. In Oceania, casein needs are being filled from inventoried stocks that were not at desired levels at the end of the casein production season. It will not be too much longer before the new milk production season resumes in Oceania, thus casein producers and handlers are optimistic about the upcoming season. Many domestic buyers continue to report that they are not getting their full requirements, but for the most part, are getting their contracted volumes, spot availability is much more limited.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.2700 - 3.4500
ACID: 3.2700 - 3.4000

EVAPORATED MILK - NATIONAL - see adjacent column

CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

| Month | 07/06 | 07/07 | 07/08 | 07/11 | 07/12 | 07/12 | 07/14 | 07/15 | 07/18 | 07/19 |
|--|------------------|------------------|-----------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|------------------|
| CME - (CLASS III) MILK FUTURES -- Dollars per cwt | | | | | | | | | | |
| JUL 05 | 14.48 (3160) 68 | 14.47 (3172) 16 | 14.48 (3116) 11 | 14.45 (3134) 43 | 14.41 (3134) 0 | 14.39 (3132) 7 | 14.43 (3131) 35 | 14.41 (3131) 1 | 14.40 (3125) 22 | 14.35 (3072) 185 |
| AUG 05 | 15.20 (3222) 148 | 14.98 (3233) 103 | 14.88 (3234) 25 | 14.93 (3275) 66 | 15.00 (3325) 92 | 14.99 (3347) 51 | 15.04 (3359) 270 | 14.63 (3370) 75 | 14.57 (3381) 349 | 13.88 (3334) 125 |
| SEP 05 | 15.29 (3217) 85 | 15.14 (3256) 106 | 14.99 (3295) 69 | 15.02 (3342) 79 | 15.08 (3398) 85 | 15.09 (3412) 56 | 15.14 (3517) 237 | 14.85 (3509) 69 | 14.75 (3540) 590 | 14.04 (3512) 212 |
| OCT 05 | 14.26 (2164) 24 | 14.13 (2182) 65 | 13.98 (2192) 25 | 14.10 (2204) 35 | 14.22 (2320) 170 | 14.25 (2323) 48 | 14.30 (2379) 115 | 14.00 (2376) 48 | 14.00 (2400) 178 | 13.78 (2379) 72 |
| NOV 05 | 13.66 (1652) 14 | 13.62 (1664) 25 | 13.51 (1669) 8 | 13.51 (1669) 3 | 13.55 (1676) 9 | 13.55 (1676) 10 | 13.60 (1679) 8 | 13.55 (1679) 42 | 13.54 (1673) 76 | 13.38 (1704) 51 |
| DEC 05 | 13.48 (1504) 5 | 13.43 (1513) 22 | 13.40 (1508) 8 | 13.40 (1508) 3 | 13.40 (1513) 5 | 13.44 (1514) 9 | 13.44 (1522) 16 | 13.35 (1528) 45 | 13.35 (1521) 57 | 13.16 (1519) 17 |
| JAN 06 | 13.16 (777) 6 | 13.06 (793) 16 | 13.02 (790) 5 | 13.02 (792) 2 | 13.02 (805) 20 | 13.02 (808) 3 | 13.02 (817) 48 | 12.95 (814) 59 | 12.87 (890) 87 | 12.78 (897) 14 |
| FEB 06 | 13.05 (660) 14 | 13.02 (662) 3 | 13.02 (664) 2 | 13.02 (666) 3 | 13.02 (679) 20 | 13.03 (682) 3 | 13.02 (689) 25 | 12.95 (714) 44 | 12.90 (744) 61 | 12.80 (756) 12 |
| MAR 06 | 13.00 (623) 8 | 12.95 (627) 7 | 12.97 (628) 1 | 12.97 (631) 3 | 12.97 (644) 18 | 12.97 (648) 4 | 13.00 (655) 22 | 12.95 (674) 40 | 12.95 (701) 72 | 12.80 (722) 22 |
| APR 06 | 12.95 (558) 11 | 12.87 (579) 23 | 12.87 (581) 5 | 12.87 (584) 5 | 12.86 (595) 22 | 12.86 (597) 2 | 12.86 (617) 29 | 12.75 (647) 40 | 12.70 (683) 42 | 12.65 (689) 19 |
| MAY 06 | 12.98 (502) 10 | 12.90 (523) 23 | 12.87 (524) 5 | 12.87 (527) 5 | 12.87 (538) 18 | 12.87 (539) 1 | 12.87 (560) 27 | 12.84 (590) 37 | 12.80 (626) 43 | 12.76 (633) 16 |
| JUN 06 | 13.20 (421) 10 | 13.05 (428) 25 | 13.00 (428) 2 | 13.00 (431) 6 | 13.00 (447) 23 | 13.00 (448) 1 | 13.00 (469) 27 | 12.95 (496) 37 | 12.87 (527) 42 | 12.85 (536) 17 |
| JUL 06 | 13.30 (306) 5 | 13.30 (306) 0 | 13.30 (306) 2 | 13.30 (307) 1 | 13.30 (305) 2 | 13.30 (308) 4 | 13.20 (314) 13 | 13.16 (341) 36 | 13.11 (375) 36 | 13.06 (384) 12 |
| AUG 06 | 13.30 (284) 5 | 13.30 (284) 0 | 13.30 (284) 3 | 13.25 (285) 3 | 13.25 (286) 2 | 13.30 (288) 3 | 13.30 (296) 12 | 13.20 (325) 37 | 13.15 (357) 36 | 13.10 (363) 12 |
| SEP 06 | 13.70 (287) 5 | 13.70 (287) 0 | 13.70 (289) 2 | 13.70 (290) 3 | 13.70 (288) 2 | 13.70 (289) 1 | 13.60 (293) 15 | 13.55 (313) 36 | 13.46 (345) 46 | 13.41 (352) 13 |
| OCT 06 | 13.00 (279) 5 | 13.00 (279) 0 | 13.00 (285) 6 | 13.00 (287) 3 | 13.00 (287) 1 | 13.07 (288) 1 | 13.00 (299) 11 | 13.00 (327) 35 | 12.95 (361) 46 | 12.89 (371) 13 |
| NOV 06 | 13.00 (267) 5 | 13.00 (267) 0 | 13.00 (272) 5 | 13.00 (274) 4 | 13.00 (274) 2 | 13.05 (275) 2 | 12.90 (286) 11 | 12.90 (316) 35 | 12.85 (348) 34 | 12.78 (357) 15 |
| DEC 06 | 12.90 (271) 7 | 12.90 (271) 0 | 12.90 (286) 15 | 12.90 (293) 8 | 12.90 (293) 1 | 12.92 (293) 2 | 12.80 (301) 11 | 12.80 (333) 35 | 12.75 (365) 36 | 12.75 (378) 16 |
| JAN 07 | 12.69 (31) 0 | 12.69 (31) 0 | 12.70 (37) 6 | 12.70 (37) 2 | 12.75 (37) 0 | 12.75 (37) 0 | 12.75 (37) 0 | 12.75 (38) 3 | 12.70 (38) 0 | 12.70 (38) 0 |
| FEB 07 | 12.60 (28) 0 | 12.60 (34) 6 | 12.60 (34) 0 | 12.60 (34) 0 | 12.60 (34) 0 | 12.60 (34) 0 | 12.60 (34) 0 | 12.60 (34) 1 | 12.55 (34) 0 | 12.55 (34) 0 |
| MAR 07 | 12.60 (25) 0 | 12.60 (32) 7 | 12.60 (32) 0 | 12.60 (32) 0 | 12.60 (32) 0 | 12.60 (32) 0 | 12.60 (32) 0 | 12.60 (32) 1 | 12.55 (32) 0 | 12.55 (32) 0 |
| APR 07 | 12.70 (1) 0 | 12.70 (3) 2 | 12.70 (3) 0 | 12.70 (3) 0 | 12.70 (3) 0 | 12.70 (3) 0 | 12.70 (7) 4 | 12.70 (7) 0 | 12.70 (7) 0 | 12.70 (8) 1 |
| MAY 07 | 12.70 (3) 2 | 12.70 (3) 0 | 12.70 (3) 0 | 12.70 (3) 0 | 12.70 (3) 0 | 12.70 (3) 0 | 12.70 (3) 0 | 12.70 (3) 0 | 12.70 (3) 0 | 12.70 (3) 0 |
| CME - (CLASS IV) MILK FUTURES - Dollars per cwt. | | | | | | | | | | |
| JUL 05 | 12.76 (22) 0 | 12.76 (22) 0 | 12.76 (22) 0 | 12.76 (22) 0 | 12.76 (22) 0 | 12.76 (22) 0 | 12.76 (22) 0 | 12.76 (22) 0 | 12.76 (22) 0 | 12.76 (22) 0 |
| AUG 05 | 13.05 (22) 0 | 13.05 (22) 0 | 13.05 (22) 0 | 13.05 (22) 0 | 13.05 (22) 0 | 13.05 (22) 0 | 13.05 (22) 0 | 13.05 (22) 0 | 13.05 (22) 0 | 13.05 (22) 0 |
| SEP 05 | 13.10 (22) 0 | 13.10 (22) 0 | 13.10 (22) 0 | 13.10 (22) 0 | 13.10 (22) 0 | 13.10 (22) 0 | 13.10 (22) 0 | 13.10 (22) 0 | 13.10 (22) 0 | 13.10 (22) 0 |
| OCT 05 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 |
| NOV 05 | 12.80 (5) 0 | 12.80 (5) 0 | 12.80 (5) 0 | 12.80 (5) 0 | 12.80 (5) 0 | 12.80 (5) 0 | 12.80 (5) 0 | 12.80 (5) 0 | 12.80 (5) 0 | 12.80 (5) 0 |
| DEC 05 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 | 12.80 (4) 0 |
| CME - BUTTER FUTURES -- Cents per pound | | | | | | | | | | |
| JUL 05 | 163.75 (231) 12 | 164.00 (163) 14 | 159.50 (155) 3 | 159.50 (102) 6 | 160.50 (43) 5 | 160.50 (42) 2 | 162.50 (36) 4 | 162.25 (32) 7 | 160.00 (28) 3 | 155.50 (24) 3 |
| SEP 05 | 164.00 (503) 12 | 161.00 (501) 9 | 160.50 (505) 11 | 158.00 (505) 36 | 161.00 (506) 1 | 161.00 (508) 3 | 162.50 (505) 11 | 162.00 (517) 13 | 162.00 (519) 7 | 157.00 (512) 27 |
| OCT 05 | 166.95 (325) 2 | 162.25 (327) 2 | 158.00 (329) 2 | 158.45 (330) 11 | 161.00 (331) 2 | 160.25 (332) 1 | 162.50 (332) 0 | 162.50 (319) 13 | 162.00 (325) 12 | 157.00 (336) 13 |
| DEC 05 | 162.00 (149) 8 | 158.50 (149) 3 | 156.00 (149) 0 | 155.50 (148) 4 | 156.00 (148) 2 | 156.00 (148) 0 | 156.25 (149) 5 | 156.00 (149) 0 | 156.00 (154) 12 | 151.00 (162) 12 |
| MAR 06 | 153.00 (19) 0 | 152.00 (20) 1 | 151.00 (20) 0 | 151.00 (20) 0 | 151.00 (20) 0 | 151.00 (20) 0 | 150.50 (27) 7 | 150.00 (27) 0 | 150.00 (30) 3 | 148.50 (30) 0 |
| MAY 06 | 152.00 (10) 0 | 151.00 (11) 3 | 151.00 (11) 0 | 151.00 (11) 0 | 151.00 (11) 0 | 151.00 (11) 0 | 150.50 (14) 3 | 150.00 (14) 0 | 150.00 (16) 2 | 150.00 (18) 2 |

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered July 11 - 22, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

WESTERN EUROPEAN OVERVIEW: Weather conditions in Europe continue to impact milk production. Recent rainfall and milder temperatures have eased the decline in milk output in some regions, while hot/dry conditions in others continue to be reported. Although milk production is on the downside of the year, overall milk volumes continue to surpass last year's levels for this time of the season. Some producers, especially in those regions that are not getting needed moisture, are starting to voice concerns about winter feed supplies. At this point, forage harvest is not as positive as many producers desire. At the most recent Dairy Management Committee meeting on 14 July, the common refund for skim milk powder was reduced another 30 Euros per MT to 120 and butter was reduced 50 Euros to 920. Intervention remains open, but offerings during recent weeks have slowed greatly. Since 1 March through 10 July, 35,387 MT of butter have been offered. This offering is comparable to volumes for the same period last year. Skim milk powder offerings stand at 5,324 MT, about four times less than last year. International buyer interest is light and unaggressive. Traders and handlers state that a quiet market is not unusual for this time of the season, although sales activity has been light for much of the current season. As the summer holiday season begins, traders do not anticipate significant buyer interest for another 4 - 6 weeks. Stocks are readily available for buyer needs with prices holding steady to slightly firmer for most products, but steady to slightly lower for butterfat. Traders feel that buyers are hesitant to place orders due to current pricing, but also state that they do not foresee much downside to prices in the future. European producers, handlers, and traders will be closely monitoring Oceania's start to their new milk production season. They state that this region could greatly influence future demand and prices for European products.

BUTTER/BUTTEROIL: European butter markets are generally steady, although a weaker undertone is developing. Stocks of butter are available for spot or longer term buyer interest. European traders state that Russia is looking for butter for August/September delivery. Outside of that buyer interest, butter demand remains light. Most sales activity is centered around an internal or domestic market.

82% BUTTERFAT: 1,850 - 2,000
99% BUTTERFAT: 2,500 - 2,800

SKIM MILK POWDER (SMP): Skim milk powder markets remain firm at unchanged prices. Stocks of powder are available for immediate spot or longer term needs. Some traders and handlers are questioning supply availability later in the year if buyer interest should increase greatly. For much of the current milk season, milk powder production was lighter than usual. The intervention open season continues, but offerings are considerably lighter than in recent years. For the period of 1 March - 10 July, 5,324 MT of skim milk powder have been offered to intervention. This total is four times less the volume last year at this time.

1.25% BUTTERFAT: 2,300 - 2,400

WHOLE MILK POWDER (WMP): Whole milk powder markets and prices are steady to firm. Traders and handlers indicate that buying interest remains light for international needs while domestic or internal sales are typical for this time of the summer. Some spot sales are being reported, although the volumes are often for short term needs. Traders feel that international buyers are resisting higher than desired asking prices. Europe is beginning the summer holiday period which is typically a slow sales period. Most feel that buyers should be returning to the market after this period or about 4 - 6 weeks.

26% BUTTERFAT: 2,275 - 2,350

SWEET WHEY POWDER: European whey markets remain firm at unchanged prices. Stocks are available for immediate internal or international buyer interest. Most sales continue to center around an internal market as many international buyers resist paying higher than desired prices. The European animal feed market remains active, although this demand is declining.

NONHYGROSCOPIC: 650 - 800

EASTERN EUROPEAN OVERVIEW: Milk production in this region of Europe is at or just past the seasonal peak. Milk volumes are reported to be running ahead of last year at this time, although many producers indicate that output is not any heavier than recent years, just that milk is being marketed differently versus home consumption and/or processing. Stocks of Eastern European manufactured dairy products are available for immediate or future buyer interest. At this point, international sales are limited to occasional spot buyers needs. Prices for Eastern European production are often slightly lower than their counterparts in Western Europe. Traders and handlers do not foresee

OCEANIA

OCEANIA OVERVIEW: Producers and handlers in Oceania are preparing for the start of the new milk production season which is about to get underway during the next 4 - 6 weeks. At this point, milk production is seasonally low and continues to center around a domestic drinking milk need. Producers and handlers in both New Zealand and Australia are optimistic about the upcoming season. New Zealand producers are projecting a 2 - 3% increase over last year which will basically get them back to levels of two years ago. Australian producers remain equally positive, although no early season projections are being estimated at this time. Winter weather conditions and moisture levels during the down time of the season will be major contributing factors in how strong the year begins. Many producers state that the winter has not been too unfavorable. Needed moisture in some dairy areas has occurred in recent weeks, but still remains limited in others. Handlers and traders continue to work down inventories to meet customer needs. In many instances, these stocks will be fully consumed and some new production might be needed to fully fill previous commitments. Traders indicate that much of the early season's new production is already committed with a large percentage of this stock going to regular and ongoing customers. Traders state that there is limited buyer interest outside of this regular need, although they feel that the international market will be closely monitoring developments in the Oceania region. Oceania traders state that how the upcoming milk production season develops will greatly influence the tone for future international supplies and prices.

BUTTER: Oceania butter markets remain steady with prices unchanged to slightly higher. Traders and handlers continue to work down inventories as the new milk production season is about to resume. Traders state that they are filling commitments from inventoried stock and will basically be totally cleaned out once the new season resumes. In some instances, handlers may need to reach into the new season to fully fill previous commitments.

82% BUTTERFAT: 1,950 - 2,400

CHEDDAR CHEESE: Cheese markets remain firm at unchanged prices. Stocks of cheese are in close balance with demand and most handlers and traders feel that they will be entering the new milk production season with minimal carryover inventories. Traders indicate that most sales negotiations have been or are nearly finalized for the balance of the calendar year. Most of these sales negotiations have been with regular and ongoing customers. Traders state that they have limited new sales negotiations until they have a better picture as to how the milk production season and cheese supply situation is developing.

39% MAXIMUM MOISTURE: 2,650 - 3,000

SKIM MILK POWDER (SMP): Oceania skim milk powder markets are generally steady at unchanged prices. Stocks of powder are tight and some traders are reaching to multi-origin sources to fully meet needs. Traders and handlers report that sales activity during the early portion of the new milk production season will continue to center around regular and ongoing customers. At this point, most traders state that they are not entering into new customer negotiations. Until producers and handlers have a better picture on actual milk production facts, they are very hesitant to commit beyond regular customer needs.

1.25% BUTTERFAT: 2,150 - 2,300

WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady at unchanged prices. Market conditions are much the same as they have been for much of the season. Stocks are fully committed to regular and ongoing customers. As with other manufactured dairy products producers, whole milk powder producers and handlers are looking forward to the upcoming production season. Plant maintenance has been or is nearly completed, thus manufacturing facilities are ready to go.

26% BUTTERFAT: 2,150 - 2,350

Exchange rates for selected foreign currencies: July 18, 2005

| | |
|-----------------------|--------------------------|
| .8216 Canadian Dollar | .0230 Indian Rupee |
| .3493 Argentina Peso | .6773 New Zealand Dollar |
| .0942 Mexican Peso | .7534 Australian Dollar |
| .2937 Polish Zloty | .0089 Japanese Yen |
| | 1.2052 Euro |

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0942)= 10.6157 That is 1 US Dollar equals 10.6157 Mexican Pesos. Source: "Wall Street Journal"

EASTERN OVERVIEW CONTINUED: significant weakness in future prices, with some indicating slightly higher asking prices.

JUNE MILK PRODUCTION

Milk production in the 23 major states during June totaled 13.7 billion pounds, up 5.4 percent from June 2004. May revised production, at 14.3 billion pounds, was up 4.6 percent from May 2004. The May revision represented an increase of 26 million pounds or 0.2 percent from last month's preliminary production estimate. Production per cow in the 23 States averaged 1,683 pounds for June, 76 pounds above June 2004. The number of milk cows on farms in the 23 States was 8.13 million head, 47,000 head more than June 2004, and 9,000 head more than May 2005. Milk production in the U.S. during the April-June quarter totaled 45.6 billion pounds, up 4.1 percent from the April-June quarter last year. The average number of milk cows in the U.S. during the quarter was 9.04 million head, 34,000 head more than the same period last year.

| STATE | MILK COWS 1/ 2/ | | | | MILK PRODUCTION 1/ 3/ | | | |
|-------------------|-----------------|-------|------------|-------|-----------------------|-----------------------|--------------|-----------------------|
| | JUNE | | APRIL-JUNE | | JUNE | | APRIL-JUNE | |
| | 2004 | 2005 | 2004 | 2005 | 2005 | % CHANGE FROM 2004 | 2005 | % CHANGE FROM 2004 |
| | THOUSANDS | | | | MILLION LBS. | PERCENT | MILLION LBS. | PERCENT |
| AL | -- | -- | 17 | 16 | -- | -- | 63 | -4.5 |
| AK | -- | -- | 1.2 | 1.2 | -- | -- | 3.8 | --- |
| AZ | 155 | 162 | 155 | 163 | 316 | 4.3 | 993 | 4.3 |
| AR | -- | -- | 24 | 23 | -- | -- | 82 | -3.5 |
| CA | 1,724 | 1,757 | 1,720 | 1,754 | 3,180 | 5.1 | 9,656 | 4.4 |
| CO | 103 | 105 | 102 | 104 | 199 | 10.6 | 594 | 8.2 |
| CT | -- | -- | 20 | 20 | -- | -- | 101 | 1.0 |
| DE | -- | -- | 7.5 | 7.5 | -- | -- | 35 | 6.1 |
| FL | 139 | 137 | 139 | 138 | 201 | 3.6 | 636 | 3.4 |
| GA | -- | -- | 84 | 82 | -- | -- | 382 | --- |
| HI | -- | -- | 6.2 | 5.4 | -- | -- | 19 | -14.4 |
| ID | 422 | 449 | 418 | 446 | 849 | 11.7 | 2,528 | 11.7 |
| IL | 108 | 104 | 108 | 104 | 166 | -- | 508 | -0.8 |
| IN | 150 | 156 | 149 | 155 | 268 | 8.1 | 809 | 4.1 |
| IA | 194 | 187 | 195 | 187 | 322 | 1.9 | 986 | -0.5 |
| KS | 115 | 112 | 114 | 112 | 197 | 4.8 | 595 | 4.0 |
| KY | 112 | 107 | 110 | 107 | 118 | -- | 369 | -1.6 |
| LA | -- | -- | 38 | 36 | -- | -- | 124 | -5.3 |
| ME | -- | -- | 34 | 33 | -- | -- | 155 | -1.3 |
| MD | -- | -- | 75 | 72 | -- | -- | 300 | --- |
| MA | -- | -- | 17 | 17 | -- | -- | 77 | 1.3 |
| MI | 302 | 312 | 301 | 311 | 569 | 7.4 | 1,719 | 7.8 |
| MN | 460 | 455 | 462 | 455 | 701 | 2.9 | 2,135 | 2.4 |
| MS | -- | -- | 27 | 26 | -- | -- | 109 | 4.8 |
| MO | 124 | 118 | 124 | 119 | 150 | -3.2 | 476 | -4.0 |
| MT | -- | -- | 18 | 19 | -- | -- | 95 | 8.0 |
| NE | -- | -- | 60 | 60 | -- | -- | 279 | 4.9 |
| NV | -- | -- | 25 | 25 | -- | -- | 137 | 9.6 |
| NH | -- | -- | 16 | 16 | -- | -- | 80 | 2.6 |
| NJ | -- | -- | 12 | 12 | -- | -- | 51 | -1.9 |
| NM | 328 | 325 | 327 | 324 | 598 | 3.8 | 1,780 | 2.7 |
| NY | 656 | 647 | 656 | 646 | 1,019 | 4.3 | 3,106 | 3.6 |
| NC | -- | -- | 57 | 54 | -- | -- | 251 | -3.1 |
| ND | -- | -- | 34 | 33 | -- | -- | 135 | -0.7 |
| OH | 265 | 270 | 263 | 270 | 400 | 4.7 | 1,228 | 4.2 |
| OK | -- | -- | 79 | 75 | -- | -- | 321 | -2.4 |
| OR | 120 | 121 | 120 | 121 | 197 | 1.5 | 593 | 1.4 |
| PA | 557 | 563 | 558 | 564 | 898 | 7.8 | 2,745 | 5.7 |
| RI | -- | -- | 1.2 | 1.0 | -- | -- | 4.9 | -5.8 |
| SC | -- | -- | 17 | 18 | -- | -- | 80 | 5.3 |
| SD | -- | -- | 81 | 81 | -- | -- | 369 | 7.6 |
| TN | -- | -- | 76 | 72 | -- | -- | 295 | -4.8 |
| TX | 320 | 320 | 318 | 320 | 550 | 9.6 | 1,704 | 7.4 |
| UT | -- | -- | 87 | 89 | -- | -- | 422 | 3.2 |
| VT | 145 | 143 | 145 | 144 | 224 | 3.2 | 688 | 4.9 |
| VA | 105 | 105 | 105 | 105 | 149 | 4.9 | 466 | 4.3 |
| WA | 238 | 240 | 239 | 240 | 474 | 3.7 | 1,440 | 3.9 |
| WV | -- | -- | 13 | 13 | -- | -- | 48 | -2.0 |
| WI | 1,241 | 1,235 | 1,242 | 1,234 | 1,939 | 5.2 | 5,843 | 3.9 |
| WY | -- | -- | 4.2 | 4.5 | -- | -- | 17.1 | 6.9 |
| 20 STATE TOTAL | 8,083 | 8,130 | -- | -- | 13,684 | 5.4 | -- | -- |
| U.S. 5/ 6/ | -- | -- | 9,001 | 9,035 | -- | -- | 45,633 | 4.1 |

1/ Preliminary. 2/ Includes dry cows, excludes heifers not yet fresh. 3/ Excludes milk sucked by calves. 5/ Includes states for which individual monthly estimates are not available. 6/ Milk cows will not add due to rounding. **SOURCE:** "Milk Production," Da 1-1 (5-05), Agricultural Statistics Board, National Agricultural Statistics Service, USDA.

THE DAIRY OUTLOOK

Dairy Demand Absorbs Output Surge—So Far

Note: The June “Milk Production” report was not available when this report was prepared.

Summary - Brisk late spring demand for dairy products not only absorbed a spurt in milk production but generated modest June price increases. However, strong expansion in milk production is expected to persist longer than good demand. Projected seasonal price increases during the second half are quite muted. Milk production surged this spring, prodded by the strong returns of 2004 and early 2005. Output in May was more than 4 percent above a year earlier in the 23 major States, with gains in both cow numbers and milk per cow. The increase was less than 2 percent as recently as January. Milk cow numbers in the 23 States have risen steadily from a February low. Compared with a year earlier, cow numbers have been fractionally higher since last autumn. Numbers in the 23 States this spring indicate that U.S. cow numbers were slightly higher than a year earlier. The gradual increase in cow numbers imply that tight replacement heifer supplies and unfavorable Western forage prospects may not be quite as restraining as earlier thought. Farms have been able to bring new expansions slowly into production, while exits remain at low levels. Even so, the response to the strong returns remains relatively muted. Cow numbers are expected to inch higher during the rest of 2005, averaging only barely above a year earlier for all of 2005.

Milk per Cow Bounces Back - The rapid acceleration in milk production was due to a sharp recovery in milk per cow. The May milk per cow in the 23 States jumped almost 4 percent from a year earlier, compared with only a 1-percent increase in January. The key factor undoubtedly was the progressive effect of returning to near-normal availability of bovine somatotropin (BST). By May, a large share of the cow herd had calved after the loosening of the BST restrictions, and economic incentives were strong for BST use. However, the pickup in spring milk per cow represented more than just the effects of BST. Relative prices of milk and concentrate feeds stayed conducive to heavy concentrate feeding. In addition, weather conditions were particularly favorable in many areas. Growth in milk per cow is projected to stay brisk during the rest of 2005, although the year-to-year increase this summer may not be quite as large because of stronger output last year. Forage quality problems are a potential source of weakness because of low stocks of high quality hay, water shortages in the Northwest, and some unfavorable conditions during first cut. At this time however, forage problems do not appear likely to derail recovery in milk per cow. For all of 2005, milk per cow is projected to rise almost 3 percent on a daily average basis.

Demand Still Unsettled - Thus far, a surge in 2005's erratic demand has forestalled price weakness from this burst in milk production. Commercial use of milkfat in May rose substantially from the relatively strong showing a year earlier, with a number of products posting gains. Meanwhile, exports continue to absorb any available skim solids. Despite relatively stable, favorable economic conditions, dairy demand was brisk early in the year, weakened suddenly in March and April, and came back strongly in May. The good demand may have continued in June. Butter stocks probably are a particularly important bellwether of demand conditions under current conditions. After building very sharply in April and May, weekly butter stocks as reported by the Chicago Mercantile Exchange (CME) fell back below a year earlier in June. Prices of both cheese and butter on the CME rose during June and remain fairly firm. In addition to the likely good final use, buyers had been relatively slow to arrange second-half supplies in the face of rising output. By June, some pipeline building had to be done. In addition, hot weather probably spurred ice cream use as well as reduced the solids content of farm milk. Whether demand can continue to absorb likely supplies is questionable. Economic and income growth are expected to be brisk enough to sustain recent demand, but this year's experience implies that erratic demand is more likely. Second-half seasonal increases in dairy product and farm milk prices are projected to be quite modest, and prices may continue to seesaw. On the other hand, a major drop in prices does not seem likely through the end of the year. For the year, farmers are projected to receive an average price only about \$1 per cwt less than last year's record.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-133, July 18, 2005, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

FEDERAL MILK ORDER PRICE AND POOL SUMMARY, JUNE

HIGHLIGHTS: Handler reports of receipts and utilization under the Federal milk order system for June have been filed and tabulated. Combined totals for the 10 consolidated orders are being released. During June about 9.5 billion pounds of milk were received from producers. This volume of milk is 2.2 percent lower than the June 2004 volume. (Taking into account the volume of milk not pooled due to intraorder disadvantageous price relationships, the year-to-year change is +5.7 percent.) About 3.4 billion pounds of producer milk were used in Class I products, 1.9 percent higher than the previous year. Calendar composition likely had a slightly negative impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilization percentages were; Class I = 36%, Class II = 15%, Class III = 34%, and Class IV = 15%. The weighted average statistical uniform price was \$14.69 per cwt., \$0.07 lower than last month, and \$4.22 lower than last year.

| PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JUNE 2005 | | | | | | | | | | |
|---|-----------------|------------------------------|--|--|--|---------|--|--------------|-------------|----------------------------|
| FEDERAL MILK ORDER MARKETING AREA <u>1/</u> | ORDER NUMBER | RECEIPTS OF PRODUCER MILK | | UTILIZATION OF PRODUCER MILK IN CLASS I | | | UTILIZATION OF PRODUCER MILK IN OTHER CLASSES | | | UNIFORM PRICE <u>2/</u> |
| | | TOTAL | CHANGE FROM PREV. YEAR <u>3/</u> | TOTAL | CHANGE FROM PREV. YEAR <u>3/</u> | PERCENT | CLASS II | CLASS III | CLASS IV | |
| | | MIL. LBS. | PERCENT | MIL. LBS. | PERCENT | | PERCENT | | | \$ PER CWT. |
| Northeast (Boston) | 001 | 1,997.1 | 11.9 | 827.4 | 1.1 | 41 | 21 | 23 | 15 | 15.23 |
| Appalachian (Charlotte) | 005 | 567.5 | 3.6 | 335.4 | 0.6 | 59 | 17 | 8 | 16 | 15.49 |
| Southeast (Atlanta) | 007 | 650.1 | 0.4 | 361.0 | 4.1 | 55 | 13 | 17 | 15 | 15.47 |
| Florida (Tampa) | 006 | 259.3 | 7.6 | 199.0 | 5.3 | 77 | 8 | 11 | 4 | 16.80 |
| Mideast (Cleveland) | 033 <u>3/</u> | 1,628.7 | 4.9 | 483.5 | 2.1 | 30 | 17 | 46 | 7 | 14.36 |
| Upper Midwest (Chicago) | 030 <u>3/</u> | 1,846.8 | -12.6 | 340.6 | 1.4 | 19 | 7 | 65 | 9 | 14.12 |
| Central (Kansas City) | 032 <u>3/</u> | 872.9 | -29.3 | 327.8 | 2.1 | 37 | 19 | 25 | 19 | 14.18 |
| Southwest (Dallas) | 126 | 840.6 | 8.1 | 313.9 | 0.0 | 37 | 14 | 22 | 27 | 14.87 |
| Arizona-Las Vegas (Phoenix) | 131 | 249.6 | 3.5 | 76.0 | 9.8 | 30 | 12 | 37 | 21 | 14.19 |
| Pacific Northwest (Seattle) | 124 | 609.0 | 2.6 | 164.9 | 0.3 | 27 | 8 | 29 | 36 | 13.81 |
| ALL MARKET AVERAGE OR TOTAL | <u>3/</u> | 9,521.5 | -2.2 | 3,429.6 | 1.9 | 36 | 15 | 34 | 15 | 14.69 |

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Due to a disadvantageous relationship between intraorder class prices and the location adjusted statistical uniform (blend) price in these markets, handlers elected not to pool an estimated 890 million pounds of milk that normally would have been associated with these markets. In June 2004, the estimated not-pooled volume of milk was 120 million pounds, occurring in Order Nos. 030, 126, and 124. After adjusting for these not-pooled volumes, the year-to-year percent change is +5.7.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

| | FOR THE WEEK OF JULY 18 - 22, 2005 | | | CUMULATIVE TOTALS | | UNCOMMITTED INVENTORIES | |
|-----------------|------------------------------------|----------------------|--------------------|-------------------|-----------------------|-------------------------|-----------------------|
| | TOTAL PURCHASES | CONTRACT ADJUSTMENTS | ADJUSTED PURCHASES | SINCE 10/01/04 | SAME PERIOD LAST YEAR | WEEK ENDING 07/15/05 | SAME PERIOD LAST YEAR |
| BUTTER | | | | | | | |
| Bulk | -0- | -0- | -0- | -0- | -42,309 | -0- | -0- |
| Packaged | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -0- | -42,309 | -0- | -0- |
| CHEESE | | | | | | | |
| Block | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Barrel | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Process | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| NONFAT DRY MILK | | | | | | | |
| Nonfortified | -0- | -0- | -0- | 31,817,269 | 323,351,396 | -0- | 546,586,000 |
| Fortified | -0- | -0- | -0- | -0- | -119,048 | -0- | 46,391,000 |
| TOTAL | -0- | -0- | -0- | 31,817,269 | 323,232,348 | -0- | 592,977,000 |

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

| | MILKFAT* BASIS | SKIM** SOLIDS | | MILKFAT* BASIS | SKIM** SOLIDS |
|--|----------------|---------------|------------------------------------|----------------|---------------|
| WEEK OF JULY 18 - 22, 2005 = | 0.0 | 0.0 | COMPARABLE PERIOD IN 2004 = | 0.7 | 34.9 |
| CUMULATIVE SINCE OCTOBER 1, 2004 = | 7.0 | 370.4 | CUMULATIVE SAME PERIOD LAST YEAR = | 70.2 | 3,762.4 |
| CUMULATIVE JANUARY 1 - JULY 22, 2005 = | 0.0 | 0.0 | COMPARABLE CALENDAR YEAR 2004 = | 44.7 | 2,413.2 |

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

| REGION | BUTTER | | CHEESE | | NONFAT DRY MILK | | MILK EQUIVALENT (%) | |
|---------|---------|---------|---------|---------|-----------------|-------------|---------------------|---------|
| | 2004/05 | 2003/04 | 2004/05 | 2003/04 | 2004/05 | 2003/04 | 2004/05 | 2003/04 |
| CENTRAL | -0- | -0- | -0- | -0- | 1,331,567 | 7,646,276 | 4.2 | 2.4 |
| WEST | -0- | -42,309 | -0- | -0- | 29,415,099 | 311,302,298 | 92.4 | 96.3 |
| EAST | -0- | -0- | -0- | -0- | 1,070,603 | 4,283,774 | 3.4 | 1.3 |
| TOTAL | -0- | -42,309 | -0- | -0- | 31,817,269 | 323,232,348 | 100.0 | 100.0 |

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 07/02/05 & Comparable Week 2004

| Regions* (000 HEAD) | U.S. TOTAL | | | | | | | | | | % DAIRY OF ALL | |
|---------------------|------------|-----|-----|------|------|------|------|-----|------|-----|----------------|-------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | WEEK | SINCE JAN 1 |
| 2005-Dairy | N.A. | 0.6 | 5.7 | 1.9 | 11.9 | 2.3 | 0.5 | 0.9 | 10.8 | 2.2 | 36.8 | 1,153.3 |
| 2004-Dairy | 0.1 | 0.7 | 5.9 | 2.8 | 15.3 | 2.0 | 0.6 | 0.8 | 10.2 | 1.9 | 40.2 | 1,209.8 |
| 2005-All cows | N.A. | 0.7 | 7.1 | 10.9 | 23.1 | 14.9 | 10.6 | 2.6 | 12.9 | 4.0 | 86.8 | 2,438.8 |
| 2004-All cows | 0.1 | 0.7 | 7.2 | 11.6 | 26.0 | 12.2 | 11.9 | 2.9 | 13.4 | 4.9 | 90.9 | 2,607.7 |

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA. 1/ States included in regions are as follows: Region 1--ME, NH, VT, CT, MA, and RI; Region 2--NY and NJ; Region 3--DE, PA, WV, VA, and MD; Region 4--KY, TN, NC, SC, GA, AL, MS, and FL; Region 5--MI, OH, IN, IL, WI, and MN; Region 6--TX, OK, NM, AR, and LA; Region 7--IA, NB, KS, and MO; Region 8--MT, WY, CO, UT, ND, and SD; Region 9--CA, NV, AZ, and HA; Region 10--ID, OR, and WA. 2/ Totals may not add due to rounding.

CLASS III MILK PRICES, (3.5% BF)

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2002 | 11.87 | 11.63 | 10.65 | 10.85 | 10.82 | 10.09 | 9.33 | 9.54 | 9.92 | 10.72 | 9.84 | 9.74 |
| 2003 | 9.78 | 9.66 | 9.11 | 9.41 | 9.71 | 9.75 | 11.78 | 13.80 | 14.30 | 14.39 | 13.47 | 11.87 |
| 2004 | 11.61 | 11.89 | 14.49 | 19.66 | 20.58 | 17.68 | 14.85 | 14.04 | 14.72 | 14.16 | 14.89 | 16.14 |

FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)

| CLASS | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----|-----|-----|-----|
| I 1/ | 16.65 | 13.79 | 15.43 | 14.13 | 14.80 | 13.62 | 13.89 | 14.44 | | | | |
| II | 13.04 | 13.36 | 13.25 | 13.24 | 12.78 | 13.06 | | | | | | |
| III | 14.14 | 14.70 | 14.08 | 14.61 | 13.77 | 13.92 | | | | | | |
| IV | 12.52 | 12.74 | 12.66 | 12.61 | 12.20 | 12.33 | | | | | | |

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfm05/mib/cls_prod_cmp_pr.htm